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FOOD DISTRIBUTION RESEARCH PRIORITIES TO ALLOW MAJOR IMPROVEMENTS IN TOTAL SYSTEMS PRODUCTIVITY BY 1985

Food Wholesaling

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Food wholesaling occupies an important place in the food distribution system. Although the previous statement is a "truism", it helps focus our attention on this critical area or subsystem of the total distribution system for food. Rather than bask in the glory of wholesaling's important position, it is time we took a hard look at, ask some difficult questions about, and set research priorities for improving food wholesaling

When we take our first look at wholesaling, we see labor's productivity decreasing in some areas of wholesaling and remaining constant in others.^{1/} We also see labor's wage and fringe cost increasing. The question is: "How can the productivity of labor be increased?" Some food wholesalers have adopted highly advanced equipment (for example, computer controlled order selection) to increase labor productivity. However, the adoption of highly advanced equipment raises both social and economic questions. The social questions are: (1) how will the people who are replaced by equipment earn a living; and (2) how long will it take for employees performing the routine tasks in highly mechanized or automated warehouses to rebel as they have in the auto industry? The economic questions are: (1) given our current operations, are we really getting as much output for our dollar input as possible; (2) are we really justifying our multimillion dollars investment in mechanization/automation; and (3) through mechanization/automation, are we treating only the symptoms? The

answer to the question how to increase labor productivity, over the long-run, is not mechanization/automation. The answer is research in the area of improvement in the quality of supervision so that future supervisors will be able to train, motivate, and reward employees. How can we make our employees more skilled, happier, and more secure? This improvement in the quality of supervision could lead to a more creative approach to labor-management relations as opposed to the present wage and fringe benefits approach.

A second look at wholesaling reveals that competitors are not fully utilizing their available space. Why should two or more food distribution firms in the same city occupy warehouse facilities that are usually only 75-80 percent full? Why not consolidate warehouses? Why not have warehouses specifically designed for slow-moving items and warehouses specifically designed for fast-moving items? Consolidation would reduce economic waste caused by the duplication. However, diseconomies that would limit consolidation to a certain size or volume are possible. Research should be conducted to determine the feasibility of warehouse consolidation and the most expedient methods of consolidating warehouses. For example, some warehouses could be designed and equipped to handle slow-moving items and others to handle fast-moving items. Although consolidated delivery will come under the heading of "Transport", it should also be considered as an area of particular importance for improving

wholesale operations by: (1) increasing the wholesale value per stop; (2) providing better service to clientele; and (3) utilizing delivery equipment more efficiently.

A third look at wholesaling reveals the need for better overall management control or the adoption of physical distribution management (PDM). The functions of transportation (both inbound and outbound), warehousing, inventory control, materials handling, plant location, packaging, customer service, and market information come under the area of PDM. By looking at and organizing their operations in terms of PDM, wholesalers could potentially save hundreds or even thousands of dollars annually. For example, the scheduling of receipts, greater use of containers, better control over inventory, and the consolidation of deliveries of specialty items to small retail stores are areas of PDM that offer potential for improvements in wholesaling. Through research in this area, we should determine the economic potential in the adoption of a PDM approach, as well as the specific way a manager should set up his PDM program.

A fourth look at wholesaling shows the need for increased unitization of product shipments. Unitization refers to the shipment of products on pallets or slipsheets or by some other methods that will provide for the handling of products as a group rather than individually. For example, a forklift truck could handle a pallet loaded with 40-50 cases of product at one time. Although results from research have indicated that product handling efficiency can be increased and product damage reduced through the use of unitized shipments, widespread use of unitization has not been accomplished. Additional research is required for a determination of the economical benefits and of the

technological requirements necessary for a complete unitized shipment program between supplier and wholesalers and between wholesalers and retailers.

A final look (although the final look for this paper, the search must continue) at wholesaling shows that considerable research is required in the area of loss and damage. At the third Rutgers Conference on Maintaining Quality of Perishable Foods in the Supermarket, Michael J. Cepenik of the U.S. Department of Agriculture is reported to have said that "one-half of all food produced and available to be marketed never reaches the consumer and is wasted in its journey from field to table."^{2/} Wholesaling need not take the entire blame for this huge waste, but neither should it shirk its responsibility. We must conduct research to determine the causes of product deterioration and damage and to make recommendations for their elimination at the wholesale level.

In summary, research priorities in the area of food wholesaling should be given to the improvement of employee productivity through improvement in the quality of supervision and of employees rather than through a reduction in the number of employees; to the consolidation of facilities; to the development of logistics management programs; to an increase in the use of unitized shipments; and to a reduction in waste or in product loss and damage. No doubt other areas of food wholesaling can be improved through research, but we think the areas specified need high priorities.

FOOTNOTES

1/ Bloom, Gordon F. Productivity in the Food Industry. Cambridge: The MIT Press, 1972, pages 192 and 193.

2/ "One-Half of Produce Food Wasted, Says N.J. Speaker." The Packer, March 29, 1975, page 2A.
